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Conventional Arms Transfers in the Post-Cold War Era:

Directions for U.S. Policy

Core Course V Essay

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Introduction

For the last two years, the Clinton administration has debated the need for tighter restraints on conventional arms transfers, during which time the United States has solidified its position as the world's number one arms exporter. This paper discusses the reasons why the United States has become the leading arms exporter in the 1990's, the pros and cons of greater restraint, and the complexities of the domestic and international environment that shape conventional arms policy. This essay concludes that the Clinton administration made the correct decision this February by opting for continuation of an arms transfer policy that is based on case-by-case review and against unilateral restraint.

United States as No. 1

The United States has emerged in the post-Cold War era as the world's number one supplier of weapons. This trend is clear, even if the statistics are somewhat murky. In 1993, the United States accounted for just over 50 percent (\$10.5 billion, in constant 1990 dollars) of the value of major conventional weapons delivered, compared to 21 percent each for Russia and the European Union -- led by Germany, France, and the United Kingdom. When the value of arms export agreements is used as the measure, the U.S. position is even more dominant: 70 percent (\$32 billion, in current dollars) in 1993, up from 21 percent in 1989.

By this same measure, Russia accounted for just 9 percent of the market, compared to 32 percent for the Soviet Union, then the world leader, in 1989. (Cooper, pp. 1083-1084; Economist b, pp. 24-28)

The gain in share by the United States comes at a time when global arms transfers have been declining. Economic crisis and budget stringency in Russia, the other states of the former Soviet Union, and Eastern Europe have led to decreased arms production and exports. Defense cuts have also reduced production by the major arms manufacturers in Western Europe. Arms industry spokesmen point out that the level of U.S. exports has been relatively constant in the 1990's and that increased market share is due to the decline in competition. (Cooper, p. 1083)

Pros and Cons of Tighter Restraints

The end of the Cold War has reignited debate in the United States over the need for tighter restraints on conventional arms sales. For some Americans, the disappearance of the Soviet threat -- the principal rationale for arms sales during the Cold War -- argued for a change in U.S. policy towards greater control. The growing share of U.S. arms on the world market only confirmed their view. Immediately after the 1992 election, reflecting these concerns, President-elect Clinton promised to

"review our arms sales and to take it up with the other major arms sellers of the world as part of a long-term effort to reduce the proliferation of weapons of destruction in the hands of people who might use them in very destructive ways." (Hartung, p. 282)

In addition to questioning the geopolitical rationale for arms sales, proponents have cited several other reasons for increased restraints on exports. They discount the degree of economic benefit that arms exports make to the United States, pointing to "offset" arrangements that allow the purchasing country to produce locally some of the components of the weapons system or require the American exporter to purchase or help sell nondefense products of the buying nation. These offsets can sometimes equal the value of the arms contract, according to critics. According to a 1994 General Accounting Office report, offsets result in the displacement of U.S. subcontractors and create new competitors abroad through technology transfer. (Cole, p. A5) Israel, for example, exports a large number of weapons derived from U.S. technology, selling to countries like China that are off limits to U.S. companies. (Cole and Lubman, p. A1.

Other reasons for restraint include the possible "boomerang" effect -- the risk that today's customer may be tomorrow's adversary and would use U.S.-made weapons against American armed

forces. Iran is cited as an example of a country where major conventional weapons supplied by the U.S. to a friend (the Shah) fell into the hands of a potential enemy (the Islamic militants). Iraq's capture of advanced U.S. weapons when it occupied Kuwait is another example cited by critics of the risk of selling arms in an unstable region. (Smith a, p. A1) Amnesty International has criticized U.S. arms sales to countries with human rights problems like Saudi Arabia, Turkey, Egypt, and Israel. (Smith c, p. A22) Proponents of restraint also argue that arms sales to developing countries encourage those governments to divert resources away from development to defense.

The increasing U.S. share of arms exports in the 1990's, critics maintain, undercuts our ability to persuade other arms-exporting countries to exercise restraint in sales to countries of concern to us. For example, we weaken our case in trying to persuade Russia against selling weapons systems to Iran. The Bush Administration's decision in 1992 to sell F-16's to Taiwan prompted the Chinese to drop out of multilateral arms control talks on the Middle East. That sale may also have induced the Chinese to retaliate by shipping missiles to Pakistan, thereby undermining our efforts to control the spread in South Asia of weapons of mass destruction. (Cole and Lubman, p. A1)

On the other side of the debate, opponents of tighter restraints point to the importance of arms exports to the economy

in general and to the maintenance of the defense industrial base. The defense industry is going through a difficult period of downsizing. Sharp reductions in defense procurement have led primary and secondary contractors in the United States to eliminate 600,000 jobs since 1990. Exports, which now account for 20 percent of U.S. production of conventional arms and are likely to climb to 25 percent -- are critical to keeping many defense firms in business. Exports maintain jobs and hold down the trade deficit. Foreign sales lower unit costs for systems purchased by our own military and keep open production lines to act as a bridge to the production of the next generation of weapons. (Cooper, p. 1097)

Those supporting the status quo argue that arms sales promote important political objectives as well, notwithstanding the disappearance of the Soviet threat. Sales to Saudi Arabia and other states in the Persian Gulf and to the Republic of Korea and Japan are consistent with the national strategy of countering regional threats from Iran, Iraq, and North Korea. Such sales promote "interoperability" which is important for joint operations, increase our influence with the purchasing country (for access to military facilities, for example), and give us a lever to ensure those systems are used in accordance with U.S. interests. Defenders of arms sales downplay the "boomerang" effect, arguing that no major conventional weapons have been used against the United States. They also point out that currently

most U.S. weapons exports go to developed countries (NATO and Japan) or wealthier "Third World" countries, challenging the argument that we are "peddling death to the poor" by encouraging the least developed countries to divert money from needed social and physical infrastructure projects. Finally, if the U.S. government limits arms sales, these defenders contend, weapons suppliers from other countries will step in, giving us the worst of both worlds -- fewer jobs in the United States and reduced influence abroad. (Cooper, p. 1087, 1097)

A third school -- representing some in the Defense and Commerce Departments and in the defense industry -- argue that the U.S. government not only should avoid tightening restraints on arms sales, it should be more active in promoting them. To this end, advocates of this approach support creation of a new lending facility, similar to the Export-Import Bank, which would arrange loan guarantees for arms exports. (Cooper, p. 1098)

Policy Complexities

Unlike the case of weapons of mass destruction where U.S. policy objectives are relatively easily distilled (no proliferation is the goal), the question of conventional arms transfers is much more complex. (Moodie, pp. 137-138) As the preceding discussion makes clear, we have numerous, often competing, objectives: national security, trade promotion, arms

control, human rights, economic competitiveness. We want the short-term trade and employment benefits produced by arms exports, but cannot afford to ignore longer-term risks of contributing to a destabilizing arms race in sensitive areas like the Middle East.

At the same time, the U.S. policy must take into account an international system that has become more complicated since the end of the relatively simple bipolar days of the Cold War. (Moodie, p. 134) The Cold War imposed a political logic on conventional arms sales. In the 1990's, for suppliers, the balance has shifted away from political considerations towards economic factors -- a fact that is reflected in changes to the pattern of arms sales (for example, Russia's exports of fighter aircraft and submarines to China; the Bush administration's decision to reverse a decade-old policy against selling advanced fighters to Taiwan). Major suppliers compete not so much for political influence with the purchasers as for a means to deal with the overcapacity in their domestic defense industries. In some areas of the world like Southeast Asia, the end of the Cold War has seen an increase in the demand for arms -- to fill the void left by superpower withdrawal from bases in the region.

Policy Directions

To deal with these complexities, the U.S. government should

not implement rigid, global guidelines on arms transfers. Nor should the United States return to the Carter administration's short-lived policy of 1977 which imposed a unilateral reduction on U.S. arms exports. Carter backed off from this policy, and there is no reason to believe that it would be any more successful today than it was then.

Instead of a unilateralist, global approach, U.S. decisions on arms sales should be made on a case-by-case basis, with careful review of the full range of U.S. political, economic, and security interests in a particular region and in particular countries. (Kemp, p. 157) U.S. policy should be aimed at solving the political problems that underlie the demand for arms in a particular region. As for trade promotion, the U.S. government should not institute a new program of export loan guarantees. Essentially, this means the United States should keep the current framework for regulating arms exports.

After two years of review, the Clinton administration decided to do just that -- to continue ad hoc decision-making based on broad criteria (a position supported by the State and Defense Departments) and reject a policy of greater restraint (supported by the Arms Control and Disarmament Agency). (Smith b, p. A9) In addition to confirming case-by-case review, President Decision Directive 34 of February 17, 1995, lists five goals to guide decisions: ensure the U.S. military continues to enjoy

technological advantages over potential enemies; help friends or allies deter or defend against aggression; promote regional stability in areas critical to U.S. interests while preventing proliferation of weapons of mass destruction; promote peaceful conflict resolution, democratization, human rights and other foreign policy objectives; and enhance the ability of the U.S. defense industry to meet U.S. defense needs and maintain long-term military technology superiority. (U.S. Department of State, pp. 155-156)

Among the twelve criteria to be used in evaluating sales are the impact on the defense industrial base and U.S. capabilities and technological advantage; risk of transfer or diversion; consistency with international agreements and arms control regimes; the human rights, proliferation, and terrorism record of the recipient; the degree to which the transfer supports increased access and influence, burden-sharing, and interoperability; and consistency with U.S. interests in regional stability.

The administration promises unilateral restraint when it comes to "pariah" states. In the multilateral arena, PDD 13 also pledges support for expanding the U.N. Register of Conventional Arms -- an initiative which promote transparency in arms sales -- and for replacing the Coordinating Committee for Multilateral Export Controls (COCOM) with a follow-on organization. PDD 13

also endorses further study of Deputy Defense Secretary Deutch's idea for discussions among major arms-exporting nationals about controlling new sales to certain regions -- an idea reportedly derided by others in the administration as unworkable because the Chinese and Russians are unlikely to join. (Smith b, p. A9)

Finally, the administration decided against the loan guarantee program for arms exports. Nonetheless, defense contractors welcomed the decision because of its inclusion in the decision-making criteria about the affect on the defense industrial base. (Smith b, p. A9) The administration also formalized existing policy by pledging itself to actively involve U.S. government officials in promoting arms sales of particular importance to the United States and to endorse Defense Department participation in international trade and air shows to support American firms.

Congressional Role

A "code of conduct" bill currently before Congress would increase legislative scrutiny of arms sales and force Congress to take a more active role in this area. (Walking, p. 29) The bill would require the administration to divide into two groups those countries seeking to purchase U.S. arms or receive military assistance -- countries which the president could certify were promoting human rights and democracy, participating in the U.N.

Register of Conventional Arms, etc., and those which the president could not so certify. The bill would recommend committees in both houses hold hearings on proposed sales to "second list" countries and would require approval by majority vote of both houses for sales to those countries.

Under the Arms Export Control Act, Congress already has authority to block sales over a certain dollar level by joint resolution -- power that gives it leverage to influence administration decisions on arms sales. The proposed legislation would limit the president's flexibility in this important aspect of national security policy. It is doubtful that requiring Congress to vote on individual arms sales would produce the best decisions for the national interest or that Congress would want the responsibility.

Lastly, Congress is considering reductions in the entire foreign affairs budget, including military assistance, which might dampen official support for exports. (Cooper, p. 1086) The over \$3 billion in grants, loans, and training under military assistance -- most of which goes to Israel and Egypt -- would seem on the surface to be a prime target for cuts. Based on the progress so far in the Middle East peace process, this assistance could be reduced gradually, and a peace accord with Syria should enable dramatic cuts to be made.

Conclusion

Conventional arms transfers will continue to rank behind nuclear non-proliferation and weapons of mass destruction on the U.S. arms control agenda. That it is the reality. Nonetheless, the Clinton administration should avoid using the flexibility of its arms export policy to tilt too far in the direction of commercial considerations. As the number one supplier, the United States has a responsibility to look for opportunities to restrain arms races by working for solutions to regional problems in places like the Middle East, South Asia, and Southeast Asia. In the post-Cold War international environment, unilateral restraint by the United States is not a realistic option. Too narrow a commercial approach, however, runs the risk of undermining our broader nonproliferation agenda and long-term U.S. interests.

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